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UNCLAS SANTO DOMINGO 005156

SIPDIS

SENSITIVE

STATE FOR WHA, WHA/CAR, WHA/EPSC, EB/TPP/BTA (MATTHEWMAN),
EB/CBA; WHITE HOUSE FOR USTR (R VARGO, S CRONIN -- SEE PARA
5); NSC FOR SHANNON AND MADISON; LABOR FOR ILAB; USCINCSO
ALSO FOR POLAD; TREASURY FOR OASIA-LAMONICA
USDOC FOR 4322/ITA/MAC/WH/CARIBBEAN BASIN DIVISION
USDOC FOR 3134/ITA/USFCS/RD/WH; DHS FOR CIS-CARLOS ITURREGUI

E.O. 12958: N/A

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SUBJECT: DOMINICAN AMCHAM MEETING TURNS UGLY OVER SUGAR AND
FTA

11. (SBU) At the American Chamber of Commerce, September 13th board meeting, Charge and Embassy staff were subjected to a harsh rant by sugar interests. The meeting was to have focused on DR-CAFTA, but it became a forum for a discussion of the demands of the sugar sector for protection and the recently proposed 25% tax on drinks sweetened with high fructose corn syrup (HFCS). Alfonso Paniagua, sugar lobbyist and Vice President of Costasur/Central Romana argued loudly against removing the 25% tax from pending tax legislation. Although the majority of the participating board members spoke moderately and in favor of DR-CAFTA, several others joined Paniagua in his argument that the Dominican sugar industry cannot compete with an "extremely subsidized product (HFCS).

12. (U) The Charge noted that in the World Trade Organization the United States is negotiating to liberalize agricultural trade. She thanked the AmCham for their letter to the Dominican Congress requesting rejection of the 25 percent tax on fructose-flavored drinks. She said that the U.S. Government, through USAID, is investing approximately 3 million dollars per year in trade capacity building programs to help the Dominican Republic become more competitive. The Embassy understands that with the agreement, some sectors will benefit more than others. She indicated that a 15-year period had been negotiated for phasing in imports of corn syrup, affording the domestic sugar industry a long period of time for adjustment. She emphasized that the Dominican Republic cannot afford to miss the opportunity to implement the FTA with the United States.

13. (SBU) Haydee de Rainieri, Vice President of the tourism-related Punta Cana Group, asked what would happen if the DR-CAFTA were to fail. The Charge responded that failure would stiffen opposition in the United States to giving the Dominican Republic another chance at a FTA. There is already a long list of countries seeking to negotiate with us. The Dominican Republic must take the opportunity "now, while the window is open."

14. (U) AID's Joseph Goodwin described various trade capacity building programs currently underway, and cited a study done by AID in 2003 estimating that if DR-CAFTA is not approved, the Free Trade Zone Industry here will lose at least 40,000 jobs.

15. (SBU) AmCham member Luis Heredia Bonetti, a leading attorney, asked whether it might be possible to add a protocol to the FTA specifying that both sides are interested in seeing the elimination of agricultural subsidies through the WTO. The Charge agreed to forward the question to USTR.

16. (U) Further discussion showed that board members were divided on the sugar issue; Frank Rainieri, tourism entrepreneur heading the Punta Cana Group, suggested that the sugar issue be renegotiated at the WTO, since sugar was the only sticking point among AmCham members. There was no definitive reaction to his suggestion.

KUBISKE